



State of Wisconsin
Department of Financial Institutions

Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

Date: January 10, 2008

To: Senate Committee on Veterans and Military Affairs,
Biotechnology and Financial Institutions

From: Department of Financial Institutions, Division of Securities

Subject: Senate Bill 371/Summary of Remedial Legislation relating to
providing offering circulars to prospective franchise purchasers
under the Wisconsin Franchise Investment Law

Members of the Committee:

Senate Bill 371 is a needed Minor Substantive Remedial legislative change to an existing section of the Wisconsin Franchise Law for the purpose of amending it to be consistent with a recent federal law change.

The proposed statute change would amend the existing provision in sec. 553.27(4) of the Wisconsin Franchise Law (which requires a franchisor to provide a franchise disclosure document to a prospective Wisconsin franchise purchaser at least 10 business days before a binding franchise agreement is signed or any payment is made, whichever first occurs) to be consistent with a recent change to the Federal Trade Commission Rule requirement on that subject which changed the previous federal timing requirement from a 10-business-day time period to a 14-calendar-day time period.

The NOTE following the text of the bill contains the relevant language of the Federal Trade Commission rule section 436.2(a), adopted effective July 1, 2007, which sets forth the new FTC 14-calendar-day requirement. Under the new FTC Rule, franchisors who offer and sell their franchises nationally in multiple states, including Wisconsin, have the option of continuing to use/comply with the "old" 10-business-day time period until July 1, 2008, after which date they must comply with the "new" 14-calendar-day requirement.

The need for the remedial statute language change is to eliminate the inconsistency that would occur after July 1, 2008 between the existing Wisconsin 10-business-day provision (which conforms to the "old" FTC Rule time period) and the "new" FTC 14-calendar-day provision. Such an inconsistency would adversely impact franchisors who, without the proposed remedial amendment in place, would be faced with conflicting federal and Wisconsin state timing requirements for providing franchise disclosure documents to prospective franchise purchasers in Wisconsin.

There would be no fiscal effect resulting from the proposed remedial amendment change to sec. 553.27(4) of the Wisconsin Franchise Law.

Division of Securities

Mail: PO BOX 593 Milwaukee WI 53201

Voice: (608) 266-1064

Fax: (414) 227-4488

Courier: 101 West Pleasant Street Milwaukee WI 53212

TTY: (414) 227-4484

Internet: www.wdfi.org